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June 22, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

**Re: Duke Energy Progress LLC's Petition For An Accounting Order to Adopt
New Depreciation Rates
Docket No. 2018-____-E**

Dear Ms. Boyd:

Enclosed for filing, please find Duke Energy Progress, LLC's Petition for an Accounting Order to Adopt New Depreciation Rates.

Thank you for your attention to this matter. Should you have any questions, please feel free to contact me.

Sincerely,

Heather Shirley Smith
Heather Shirley Smith

cc: Ms. Nanette Edwards, Esq., Office of Regulatory Staff
Ms. Dawn Hipp, Office of Regulatory Staff
Mr. Jeffrey M. Nelson, Esq. Office of Regulatory Staff

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2018 - ____ - E

IN RE:)	
)	
Petition of Duke Energy Progress, LLC For an Accounting Order to Adopt New Depreciation Rates)))))	PETITION FOR ACCOUNTING ORDER

Duke Energy Progress, LLC (“DEP” or “Company”) hereby respectfully petitions the Public Service Commission of South Carolina (“Commission”) pursuant to S.C. Code Ann. Sections 58-3-140, 58-27-140, 58-27-1540, and 58-27-1550, 26 S.C. Regs. § 103-825 for an accounting order allowing it to adopt new depreciation rates effective March 16, 2018. In support of this Petition, DEP respectfully shows the Commission the following:

1. The correct name and address of the Company is:

Duke Energy Progress, LLC
410 South Wilmington Street
Raleigh, North Carolina 27601

2. The name and address of the Company’s attorney who are authorized to receive notices and communications with respect to this petition are:

Heather Shirley Smith, Deputy General Counsel
Duke Energy Progress, LLC
40 West Broad St, Suite 690
Greenville, South Carolina 29601
Telephone 864-370-5045
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and

Frank R. Ellerbe, Esquire
Robinson Gray, LLC
1310 Gadsden St
Columbia, South Carolina 29201
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3. The Company is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the eastern portion of South Carolina and the eastern and western portions of North Carolina. It also sells electricity at wholesale to many municipal, cooperative and investor-owned electric utilities. DEP is a public utility under the laws of South Carolina and is subject to the jurisdiction of this Commission with respect to its operations in this State. The Company also is authorized to transact business in the State of North Carolina and is a public utility under the laws of that State. Accordingly, its operations in North Carolina are also subject to the jurisdiction of the North Carolina Utilities Commission.

4. DEP's depreciation rates were last changed in Order No. 2013-607, issued on September 5, 2013, and Order No. 2016-92, issued on February 10, 2016, in Docket No. 2012-384-E.¹ As a result of normal periodic review of the Company's depreciation rates for compliance with General Accepted Accounting Principles, DEP commissioned a study of its depreciation rates. Based on the results of this study, the Company has determined that it is appropriate to update its depreciation rates.

¹ In Order No. 2016-92, the Commission approved the Company's petition to add a depreciation rate for solar facilities only, not a comprehensive update.

5. The preliminary depreciation expense study is attached as Exhibit A. On November 22, 2017, DEP and the Public Staff of the North Carolina Utilities Commission entered into a partial settlement agreement in Docket No. E-2 Sub 1142, in which the parties agreed to set DEP's depreciation rates based on the rates set forth in the depreciation study provided in Exhibit A, with the following exceptions:

- (1) Use a 10 percent contingency [terminal life reserves] instead of the 20 percent contingency proposed in the Depreciation Study [for terminal live reserves], resulting in a \$1.6 million system decrease;
- (2) Use a 10 year remaining life for the meters that are being retired pursuant to the Company's advanced metering infrastructure ("AMI") program, instead of the approximate three year amortization proposed in the Depreciation Study, resulting in a \$12.2 million system decrease
- (3) Use a 70-R2 survivor curve for Account 356 [Overhead Conductors and Devices] instead of the 65-R2.5 survivor curve proposed in the Depreciation Study, resulting in a \$0.9 million system decrease;
- (4) Use a -10 percent future net salvage for Account 366 [Underground Conduit] instead of the -15 percent future net salvage proposed in the Depreciation study resulting in a \$0.3 million system decrease;
- (5) Use a 17 year life for new AMI meters [account 370], instead of the 15 year life proposed in the Depreciation study, resulting in a \$0.1 million system decrease;
- (6) Use a 20 year amortization period for Accounts 391 and 397 [Office Furniture and Equipment and Communication Equipment], instead of a 15 year [account 391]

and 10 year [account 397] amortization period proposed in the Depreciation Study resulting in a \$9.2 million system decrease.

These changes were used to calculate adjustments to the depreciation study provided in Exhibit A. The revised depreciation rates are shown in Exhibit B.

On February 23, 2018, the North Carolina Utilities Commission issued an order approving the partial settlement, including the adjustments to the depreciation study, with revised rates to customers effective on and after March 16, 2018. Subsequent to such order, DEP finalized its depreciation study. The finalized study results in an approximate annual increase in depreciation expense of \$86.4 million on a system basis (\$6.6 million on a South Carolina retail basis) when applied to end of 2016 plant balances. As explained above, Exhibit B shows the results of the finalized depreciation study.²

6. Adoption and implementation of the new depreciation rates will not involve a change to any DEP rates at this time, or to any Commission rule, regulation or policy. In addition, issuance of the accounting order does not prejudice any party's right to address this issue in a subsequent general rate case proceeding. DEP respectfully requests that the accounting order be made effective as of March 16, 2018 as to the acceptance of the new depreciation study and rates. In a separate application being filed with this Commission, the Company is seeking deferral of the increased expense from the depreciation study's new rates along with other expenses; accordingly, approval of the request contained in this Application is limited to approval of the depreciation study and rates rather than any financial effects of the study.

² See Order Accepting Stipulation, Deciding Contested Issues and Granting Partial Rate Increase, issued February 23, 2018, Docket No. E-2, Sub 1142.

7. S.C. Code Section 58-27-870(F) allows the Commission to put new depreciation rates into effect without notice and hearing upon its order when the depreciation rates do not result in any customer rate increase.

8. Therefore, DEP respectfully requests that the Commission issue an accounting order effective as of March 16, 2018, without notice and hearing pursuant to S.C. Code Section 58-27-870(F) approving the Company's most recent depreciation study and such other relief as the Commission deems appropriate.

Respectfully submitted the 22nd day of June, 2018.

DUKE ENERGY PROGRESS, LLC.

By

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